



**Board of Administration**

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November 6, 2003

**CalPERS Letter to SEC Commissioners:**

On behalf of 1.4 million members of the California Public Employees' Retirement System (CalPERS), I am writing to urge you to reject the reform proposal released this week by John Reed, Chairman of the New York Stock Exchange.

This proposal will likely not increase investor confidence, for three reasons. First, there are no provisions in the proposal which would guarantee adequate representation on the board by the ultimate customers of the exchange, i.e., investors. Secondly, the regulatory structure is not sufficiently independent, and third, the dual board structure is overly complex and will likely not be effective.

I believe approximately 1/3 of the seats on the "Main Board" should be investors. The proper place to have investor seats would be on the "Main Board" under the new proposed structure, not on the Executive Board.

The lack of investor representation on the main board is additionally reflective in the proposed key committee makeup. The proposed Audit, Compensation and Nominating Committee structure will be composed of membership from the main board.

Without sufficient investor representation on the main board, Reed's disclosure that the regulatory function will remain within the NYSE and under the main board's oversight is not appropriate. Ultimately board members would be beholden to those members they are regulating. We believe strongly that a separate regulatory oversight body should be formed to regulate the NYSE. To retain regulation within the NYSE is to leave open the possibility that it will not be truly independent.

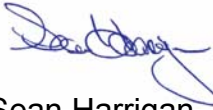
The proposed dual board structure consisting of a main board and Executive Board is unnecessarily complex; offering no advantages over a more traditional structure that would utilize independent key committees. This structure is not utilized in the United States, and represents a poor example to listed companies. Furthermore, the dual board structure may have the effect of making the Chairman too powerful in that this person will be the only fulltime link between the two boards. For this reason alone, there needs to be a separate CEO and Chair.

While we applaud Mr. Reed for taking on the huge challenge to reform the NYSE, I am unfortunately obliged by my own fiduciary duty to oppose this end result.

I welcome the opportunity to be of service to you and to the Commission as the SEC considers how best to strengthen the NYSE. I want to express my commitment, and that of our professional staff, to work together to bring about this most critical reform. Please feel free to have a member of your staff contact me at (916) 326-3932 at any time to further discuss this very important topic.

Thank you for your attention to this matter. I believe we have an opportunity to bring truly meaningful reform to the NYSE. I sincerely appreciate the opportunity to work together to make it happen.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sean Harrigan", with a stylized flourish at the end.

Sean Harrigan, President  
Board of Administration